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Donor Policies and Capacity Building

Summary of Group Discussions and
Reflections on Current Trends at
the Praxis Programme Catalyst Group Meeting

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INTRAC
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Introduction

INTRAC's Praxis Programme catalyses the sharing of experiences and supports the development of innovative practices in the field of organisational capacity building. As the advisory group of Praxis, the Catalyst Group meets once a year. During the 2005 meeting, a session was organised in response to the concerns made by Catalyst Group members that recent changes in donor policies in relation to civil society (CS) and organisational capacity building (OCB) may mean that the learning which is being generated and disseminated through Praxis will be irrelevant in five years' time.

The aim of the session was to discuss where OCB fits within donor strategies and programmes and to gain an insight into the future direction of donor policies. The session began with a brief presentation, followed by plenary and group discussions.

This Praxis Note is a summary of the discussions held during that session. It covers a diverse range of views and comments, which were not necessarily shared by all those present.

Overview of Issues¹

When did the original growth interest in OCB occur? For INTRAC it can be traced back to 1994 when Rick James wrote a paper for INTRAC on the subject of capacity building and non-governmental organisations (NGOs)². At the time there was very little literature on capacity building in the context of civil society/NGOs. His survey showed that, despite general rhetoric in its favour, very few Northern NGOs had serious capacity building policies that were fully implemented in the field. Very soon, we saw a mushrooming of interest in capacity building. The initiatives that resulted included the work by UNDP, the NGO community, and the International Forum on Capacity Building (IFCB), which grew out of the World Bank Working Group on NGOs. The IFCB was able to map capacity building in several areas of the world, looking at policy, supply, and demand, resulting in reports focusing on Asia, Latin America, Africa, and on Northern donors. A major meeting in Brussels brought a large number of groups together to review these reports and work on future actions. This initiative had significant support from donors including the EU, USAID, DfID, and SIDA, amongst others.

¹ Based on a brief presentation made by Brian Pratt, Executive Director of INTRAC.

² James, R. (1994) 'Strengthening the Capacity of Southern NGO Partners', Occasional Paper Series No. 5, Oxford: INTRAC.

Some of the interest in the 1990s emerged from concerns over how to encourage the formation of new NGOs and civil society organisations (CSOs) in transitional countries. One answer was through organisational capacity building (OCB), and to this end we saw a proliferation of specialised agencies providing OCB services. These included a new form of organisation: the NGO support organisation (NGOSO). The 1999 INTRAC conference, *NGO Support Organisations: Role and Functions*, showed that a wide range of such groups were in existence. Many donors appeared to be in agreement with the concept that NGOSOs provided an effective means of spreading the practice of OCB more widely in specific countries and regions.

Since 1999, the numbers of NGOSOs and OCB initiatives and programmes have continued to multiply. However, from where we stand in 2005, whether the donor world remains convinced of the value of building the capacity of civil society seems less certain. At the 2005 INTRAC conference in Jordan, *Civil Society and Community Development*, it was pointed out that many of the larger multi-lateral agencies are now supporting programmes that provide direct support to community groups. In reality, this is often played out through funding local governments, who in turn award funds to local community-based organisations (CBOs). This model can be seen as undermining or bypassing the roles of intermediary NGOs, and those of NGOSOs in particular. To a certain extent, the current emphasis on and search for new models and community-based initiatives could be regarded as a result of criticisms that NGOs (local and international) have failed to deliver on promises of poverty reduction.

Meanwhile, the new state-centred approach to international development has returned to the emphasis that earlier

models placed on OCB of the public sector. The 2005 Paris Declaration on Aid Effectiveness³ provides a good example of this trend. Donor priorities also seem to have changed. For example, Southern NGOs have lost their dominant status in the World Bank Working Group on NGOs and are being replaced by transnational NGOs on the interim committee. Elsewhere, many donors appear to feel that they have succeeded in introducing civil society into developing and transitional countries, especially in Eastern Europe, and have therefore closed, or are winding down, these programmes.

The original supporters of the IFCB – such as the EU, USAID, DfID, and SIDA – seem to have moved on. It is still unclear whether this was due to changes in donor personnel, the problems involved in moving the secretariat from India to Costa Rica, or a failure to conclusively identify how best to maintain momentum and take the project forward.

Where are we now? What has happened to the interest and energy of the 1990s? What are the current trends?

State-based development: With the fall of the iron curtain in the 1980s, the trend was to roll back state involvement in development. However, now the pendulum has swung back and the state is again being viewed as the driver of development. Donors are providing budgetary support and sector-wide programmes. The focus of development funding is once again on transfers between donors and states. One of the most important differences from the old model, however, is that some money is being channelled to local government through decentralisation programmes. Therefore, the role of civil

³ This can be downloaded from <http://www.aidharmonization.org/>

society and the organisations within it may need to be reassessed.

Role of donors: The World Bank is now planning to work directly with community groups. Money is intended to be channelled through the state and managed at the local government level. So, where does this leave international NGOs, CSOs, and NGOSOs? Does this mean that these organisations need to change their roles? Is there a part for NGOs and CSOs to play as providers of OCB support to civil society? One option would be for us to train government civil servants to carry out OCB with communities. This will be the preferred model of providing OCB support to civil society for some donors. And, in some ways, this mirrors certain trends in countries such as the UK.

Paris Declaration on Aid Effectiveness: Our understanding of this declaration is that it seeks to harmonise development approaches and procedures amongst major donors. This is regarded as a mechanism for improving recipient governments' control of their own national development. It is clear that a large number of countries that receive aid and major donors have signed up. What role does this leave for civil society? Little attention seems to have been paid to this question, but initial plans indicate that civil society groups will: a) operate within the national strategies set by the state, possibly as sub-contractors; b) help governments to be accountable to donors; and c) monitor service delivery. This presents an alarming picture of a future in which civil society has a marginalised role: a very different scenario from the way most civil society actors perceive their own roles!

These trends raise many questions, including:

- Will governments reduce their budgets for civil society – with the exception of contracting CSOs for service delivery and humanitarian relief?
- Will CSOs and NGOs therefore have to limit themselves to service provision to survive?
- Is this because NGOs and NGOSOs have failed to deliver, or at least failed to convince others of the impacts they have had? Has this obliged donors and governments to intervene themselves?
- What will be the influence of the security and counter-terrorism agendas?

As a sector we need to reflect on whether NGOs and CSOs should be fighting against or working with these trends. Did we get it all wrong? Did we simply provide jobs for the middle classes? Do we need to take a step back (or forward) and reflect on the answers to these difficult questions? Can we produce evidence to show we have been effective? Can we demonstrate our impact? Do we have the answers? Can we do better in our existing roles or is it time for a gear change? Is it time to ensure we deliver more effectively?

Initial Plenary Discussion

The security agenda issue is not limited to the geographic area of the Middle East. It is a global issue impacting upon all countries, leading to a reconfiguring of other policies and priorities. We now have two parallel processes, each of which has a huge influence on the development sector: the Millennium Development Goals (MDGs) and the counter-terrorism agenda.

In relation to issues of values and power, the last ten years have been damaging to the CSO community. Donors have driven processes of OCB to fit their own agendas and needs.

Support to civil society has been seen as a means to an end, rather than as an end in itself, thus undermining the empowerment agenda. For example, after the Cold War, Central and Eastern Europe and the Commonwealth of Independent States (CIS) witnessed the proliferation of NGOs, largely driven by a donor frenzy to create and support local organisations. Now the same donors do not know how to manage the relationship with the ‘monster’ they have created. Because they worked within a framework of economic liberalisation, the civil society sector they created reflects these values, thereby reducing its capacity to represent alternative value systems. Donors seem more concerned with their accountability to peers than to their beneficiaries. They originally wanted local CSOs as a vehicle for the delivery of resources, but now regard them as unsustainable or not reflecting the needs of the community. This has led many donors to bypass these local CSOs and attempt a more direct connection with communities.

But are CSOs really following their beliefs? Are they reflecting what their constituency base desires? Or, have they lost their connection with communities and become less accountable in the process? Through the power that comes with providing funds and the resulting dependency of the recipients, donors have in part been responsible for this loss of connection. Pressure and procedures are geared now to feed the ‘aid machine’. However, CSOs also need to be able to define their values, mission and strategies and express these clearly in the proposals they submit to donors.

It may be possible to gain a generalised understanding of the donor agenda, but can we make sweeping statements about CSOs when the sector is so diverse? The agenda of OCB as an end in itself, i.e. to empower, is still at the fore in many parts of the world. CSOs still play

multiple roles, including those of mediation. Is this clear to donors? How can we resolve the accountability issue? Effective monitoring and evaluation may be the answer – but how do we ensure accountability to both constituency and donor? And how do we deal with the fact that donor aid is inherently political? The presence of, for example, DfID in Iraq or USAID in Latin America, illustrates the different agendas at work in development.

What we hear in the South also provides some cause for concern. While donors have been moving towards state-based development the concept of the state is being undermined in some contexts. Procurement does not give governments room to make decisions, since they may not fit the efficiency standards set by donor agencies. Could harmonisation procedures just be a new way of ensuring international donor dominance?

However, the situation may not be as gloomy as it seems. There are many different discourses and experiences going on in different areas of donor agencies; DfID is a good example of such diversity. Media, trade unions, and political parties are the main groupings that some donors see as constituting civil society. There is certainly a failure by donors to consult well enough with civil society, but it is still on the agenda. Within budget support there is a push towards partnership budget support. Despite the fact that budget support has become ‘stuck’ there is still an opening and role for NGOs and NGOSOs. The space is not necessarily being reduced, as demonstrated by the positive moves to work through budget support and Poverty Reduction Strategy Papers (PRSPs). As donors begin to harmonise, it may be that one donor is assigned to look after civil society. Is there therefore a need to reflect on how to make the resources work better?

The year 2005 could be seen as a very buoyant time for civil society. There has, for example, been the Make Poverty History campaign and a great deal of work on gender issues. However, civil society has tended to be reactive rather than proactive. As a sector, do we need to make a different space for ourselves so that we can be proactive and not just react when things have happened? We should have been considering the Paris Declaration last year and planning a response. However, there seems to have been no knowledge of the Declaration amongst NGOs, or even amongst some in the donor community. Why is this? Maybe we need to understand donors better and learn to 'play the game' to the advantage of the civil society sector.

We can no longer pretend that donors are not politicised. Donor aid is big business. Recently, donors have been threatening to cut aid if countries fail to meet political or economic conditions. As long as donor funding is politicised, the flows will be dictated by the behaviour of the recipient states. Uganda has recently been judged by donors to be a 'rogue state', which could be a good thing for civil society since funds are now being diverted away from the state! This relates to the issue of conditionality on support to governments. At what point does a donor actually stop the flow of funds to the state? How is this decision made and by whom? Most donors do not seem to have a plan B for when this happens. Could we suggest what that plan B might look like?

Donors are using the words 'alignment' and 'harmonisation' to refer to their delivery of aid – but are not always putting these principles into practice. Donors are lining up to shelter under the umbrella of the World Bank, but its anti-poverty credentials are not great. This could create problems if all

donor money is in fact co-ordinated, ending up in one pot, as this will be watched over by the Bank.

With Wolfowitz as President of the World Bank is there any sense of a change in language and discourse? Are we going to see any shifts? One example is that at least one Country Manager was fighting for her job days after Wolfowitz's appointment. Does this reflect a wider shift in priorities, or is it just coincidence?

The World Bank is meant to appear apolitical, therefore the rights agenda has not sat very well with them. Multiple agendas are competing for space, but one overall common driving force for official agencies is the need to reduce transaction costs. Therefore, bigger programmes are preferred and some funding mechanisms are refusing to accept requests for small grants. The challenge is to persuade donors that smaller initiatives can reap rewards. The US Administration is also trying to encourage the World Bank to become more grant-based rather than merely providing loans. This shift might strip UNDP of some of its traditional relevance as a grant-making source of technical assistance.

The picture is not all bleak. In Central and Eastern Europe the civil society sector and NGOSOs have delivered and contributed to making great changes in the last 10 years. They have found and defined their niche.

Group Discussions

Reflections from a Southern Perspective

It is dangerous to generalise about trends in the aid sector, since the situation varies considerably between different contexts. There are places where donor policies are not changing

because they never introduced policies to support and strengthen civil society. However, the situation in Iraq has led to support shifting away from regions such as Latin America, leaving many programmes hanging. In Kenya, after some initial support, the state seems to be losing credibility with donors. Some donors have therefore moved to supporting civil society while others have continued to support government. All these decisions are very political. For example, USAID refuses to support the state in Cambodia or Kenya, Denmark seems to have an ‘all or nothing’ approach to conditionality, and so on. This creates opportunities but also a great deal of uncertainty both for civil society and the state.

We need to recognise that the aid sector is about politics and business. This is nothing new, as aid has always been a tool of foreign policy, but change is happening more and more rapidly. The security agenda and geopolitical turf wars are also having a huge influence.

The aid sector is distorted by the fact that the intended ‘beneficiaries’ of the aid ‘market’ have nothing to buy or sell and no real influence. In reality, power and influence come from higher up the aid chain: therefore aid agencies respond, not directly to the beneficiaries, but to politicians, public, media, foreign policy agendas, and so on.

The recognition that there is money to be made in the aid sector, since goods and services are being bought and sold, means that businesses are becoming increasingly interested in participating in the sector. This has in turn led to more competition between actors. Donors are now outsourcing directly to companies. This has brought power to transnationals: for example, Price Waterhouse Cooper and other private sector companies have moved from financial management to being

increasingly involved in programme/project management in the development sector. They are often preferred by official aid agencies because they meet their contractual and accountancy requirements. How can local organisations compete with transnationals, both private and NGOs, if the entry requirements to the market are set too high?

The aid environment is constantly changing, with funds being withdrawn and new types of relationships, such as contracting through government, being established. CSOs and OCB providers are therefore having to adapt quickly – this may potentially lead to conflicts of interest, since CSOs both deliver projects and bid for contracts. But is it just about service provision or does this change imply a fundamental shift in relationships? Even the language of development is changing. It used to be social transformation but now it’s about contracting and service provision. What is our niche and our ultimate goal? Should we be building the capacity of businesses for example? Do beneficiaries care who provides support, or are they more concerned about the quality of the support that is given? Perhaps some of the private sector OCB providers can offer a higher quality product. After all, many of the trainers used by NGOs are also employed by businesses!

How, or should, civil society be resourced in the future? Is it realistic to assume that local government will take on this role especially if they regard civil society groups as a political threat? The accountability agenda has been used to counteract this by seeking greater transparency from public bodies and providing a legitimate path for CSOs to challenge local authorities. However, this may have had a counter-productive effect by creating greater official resistance to CSOs.

It used to be assumed that Southern states were weak and inefficient: as a result they were ruled out as development actors. Now donors are saying the same of CSOs. Should the sector be content simply to accept this? Or do we have to demonstrate our impacts and effectiveness to prove that we deserve to be supported? There are no neat boundaries between NGOs, CSOs and CBOs. The differences are often contested and we need to ensure that as a sector we agree our own definitions rather than accepting, without question, those set from outside the sector.

There seems to be a reduction in overall development financing, which is obliging the civil society sector to transform itself. Now it has two faces – for-profit (through contracting) and not-for-profit. Managing both requires a fine balance. CSOs are becoming very ‘governmentalised’, as they are increasingly dependent on budget support trickling down to service providers.

Who provides OCB support to local government and to donors? Is this a role for civil society OCB providers? Some sectors of civil society have argued that indeed this is a crucial area of work for the sector, i.e. that it should reverse the agenda by seeking to influence the way local government works and is accountable to citizens.

Some additional points:

- Do we need to define what our value-added is and what we have to offer?
- Do we need to understand the dynamics of the sector more clearly in order to influence the situation instead of just reacting to it?
- Do we have to understand and play the game better?

- Is there a need to become more politicised and involved in changing the rules of the game rather than simply accepting them?

Reflections from a Northern Perspective

The key questions remain unanswered. Is there no more OCB to be done? Should we return to a community development approach? Or do we need to redefine and answer the *Capacity building for what and of what?* questions?

The *for what?* element of this question seems to have changed. Donors have moved on, but regardless of their agendas/processes, there is a need for us to continue flying the flag in support of civil society support. But who are *we*? To form and shape policy we need to define *us*, as well as recognising our allies in the donor community.

Maybe we should be celebrating the fact that donors are less interested in the civil society sector, as it could be argued that civil society has lost its vibrancy by being driven by the donor agenda. In Latin America, civil society emerged through struggle, not as the creation of donors, but as an autonomous development funded through various different sources. Is it bad that capacity building is not on the agenda? Perhaps not – for example, it may be inappropriate in some EU accession countries. OCB should not be a budget line or box to tick.

All development actors are supposedly working towards positive change, but the nature of this change is contested within the sector. The question is, are OCB providers delivering what donors see as positive change? OCB providers need to find their niche and a way of proving themselves. Therefore, OCB providers should identify their own strengths rather than following trends.

In relation to values, do OCB providers have an opportunity to influence the agenda? At a micro level on a one-to-one consultancy basis, but also at the macro level (for example when working with the foreign office), is there a space for OCB practitioners to influence the policy-level debate? The onus is on us as practitioners to ask ourselves whether what we are doing is in line with our values – particularly when we know that there is a political agenda. We also need to recognise that the development sector is an industry, to move within it appropriately, and to be sincere about what we believe.

It is therefore vital for organisations within the sector to clearly define and understand their mission and values, but also to make decisions accordingly. For example, building relationships with donors around core funding can fundamentally change what an organisation is about if it allows its mission be altered.

There are diverse opportunities within civil society to influence politics in different ways, such as through trade unions. For the sector to be strengthened and increase its performance, there is a need to build capacity for policy analysis. This could be achieved in collaboration with institutions such as think tanks, or even universities. However, the degree to which these have sufficient capacity themselves or are tied to the prevailing government will also vary considerably.

Some additional points:

- Donor organisations may have detached themselves to some extent from NGOs and particularly NGOSOs, but there is still an openness to engage. However, there is a need for both CSOs and donors to create opportunities that enable improved engagement. Programme

and funding frameworks must also be responsive to this need.

- The politics of aid is such that it remains important to convince influential northern taxpayers that contributing financially to development is good.
- There is need to steer clear of ‘demonising’ collaboration with governments and donors.
- The sector needs to find ways to turn OCB success stories into data that can demonstrate impact in order to influence donors.
- It is time to talk about setting standards or codes for OCB practitioners (as is already happening for example in Uganda).
- It is important to have Northern practitioners, Southern practitioners, *plus* donors in the same room to continue to have open discussions on these issues. INTRAC could play a role in convening these discussions.

Final Reflections

- There is recognition that the aid sector is about politics and business. This has always been the case but change is happening more and more rapidly, creating more competition and tension between actors.
- OCB is not uniform – it is very diverse and can mean different things to different actors in different contexts.
- OCB is not just about ‘doing’ in a neutral way – it is also inherently linked to power relationships.
- There is a danger associated with making generalisations about what is happening in the aid sector and the effects this is having in different contexts. The discussion needs to be more effectively contextualised. Conversely, believing their context is unique has caught out many NGOs/CSOs. In reality they are the

products of, and indirectly responding to, international trends and agendas that they may not be aware exist.

- There is a need to influence, as well as respond to, trends in the development 'market'. As CSOs and OCB providers we need to be more 'wily': to be adaptable enough to position and re-position ourselves as the situation changes. To achieve this goal we need to have an understanding of the context, of ourselves, and of the place we occupy. We need to know what the game is and be better at playing it. We need to define who '*we*' are and have a stronger identity.
- We should not lose sight of the grassroots in our rush to keep our place and maintain our funding sources. Is our aim to sustain ourselves as organisations or to achieve developmental change? We should question whether we are simply being pushed into accepting contracts to become self-sustaining.
- Should we question whether Northern NGOSOs are occupying the space of capacity building providers in the South, and therefore competing with them in a way that undermines local capacity?
- The boundaries and relationships between sectors are changing and becoming more fluid. We should develop a better understanding of new relationships, for example those between donors and the private sector.